

Message Text

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FM AMCONSUL KARACHI

TO AMEMBASSY ISLAMABAD PRIORITY

INFO SECSTATE WASHDC 8423

AMCONSUL LAHORE

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C O R R E C T E D C O P Y (TEXT: PARA 3.)

E.O. 11652: N/A

TAGS: BEXP PK

SUBJECT: PRODUCT OPPORTUNITY: CESSNA SALE OF
PRIMARY TRAINERS TO GOP

REF: (A) STATE 199695; (B) LAHORE 1206

SUMMARY: CESSNA REPS WHO CALLED AT CONGEN OCT 8 BELIEVE
POTENTIAL FOR CESSNA SALE TO PAK MILITARY OF T-41D PRIMARY
MILITARY TRAINER STILL GOOD. THEY WILL HOLD MEETINGS WITH
TOP MILITARY PROCUREMENT AUTHORITIES IN ISLAMABAD, CONSULT
WITH DATT AND ODRP AT EMBASSY ISLAMABAD AND POSSIBLY CHOSE
LOCAL REP FOR CESSNA MILITARY SALES. END SUMMARY.

1. FOLLOWING VISIT TO CONGEN OCT. 8 BY CESSNA VICE PRESI-
DENT FOR MILITARY RELATIONS, DERBY FRYE, AND MANAGER FOR
MIDDLE EAST COMMERCIAL AIRCRAFT SALES, ADEL OUBARI, WE
HAPPY BE ABLE TO REPORT THAT PICTURE FOR CESSNA MILITARY
SALES IN PAKISTAN NOT QUITE SO BLACK NOR CESSNA MILITARY
DIVISION QUITE SO SLOTHFUL AS COULD BE INFERRED FROM REF
B.

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2. FRYE HAS EXPLAINED THAT CESSNA'S MILITARY AND COMMERCIAL SALES ACTIVITIES TRADITIONALLY KEPT SEPARATE AND THAT ARSHAD ULLAH KHAN OF ZAMINOS IN LAHORE SO FAR HAS REPRESENTED CESSNA FOR COMMERCIAL SALES ONLY. KHAN HAD FORWARDED SKETCHY ADVANCE NOTICE TO CESSNA IN WICHITA CONCERNING PAK REQUIREMENTS FOR NEW MILITARY PRIMARY TRAINERS, ALONG WITH HALF A DOZEN OTHER WOULD-BE REPS FOR MILITARY AIRCRAFT SALES. FRYE DID SUBMIT TENDER AS REQUESTED BY PAK MILITARY ATTACHE IN WASHINGTON DIRECTLY TO GOP THROUGH PAK WASHINGTON EMBASSY. NO CIRCUMVENTION OF KHAN AND ZAMINOS INVOLVED SINCE KHAN DID NOT AND STILL DOES NOT REPRESENT CESSNA FOR MILITARY SALES.

3. CESSNA REPS FRYE AND OUBARI HAVE INFORMED US THAT PAK MILITARY REPORTEDLY DISSATISFIED WITH THE SINGLE SAAB MFI-17 DELIVERED SO FAR AND THAT PAKS NOW TAKING STEPS TO GET OUT OF THEIR AGREEMENT TO BUY 20 OF THESE AIRCRAFT BECAUSE OF HIGH COST AND UNSATISFACTORY PERFORMANCE. PAKS MAY EVEN TRY RETURN THE ONE SAAB ALREADY DELIVERED. CESSNA REPS SAID MFI-17'S COST \$70,000 EACH COMPARED WITH ABOUT \$30,000 FOR T-41D AND THAT CONSIDERABLE "POT SWEETENING" BY SAAB MUST HAVE BEEN INVOLVED FOR SIGNATURE ORIGINAL AGREEMENT FOR 20 MFI-17'S. THEY ADDED PAK PROCUREMENT AUTHORITIES NOW EAGER TO MEET FRYE. CHAIRMAN PROCUREMENT BOARD KHALILI WILL CALL BOARD MEETING TO DISCUSS CESSNA PROPOSALS IN ISLAMABAD, PROBABLY ON OCT. 14.

4. FRYE AND OUBARI EMPHATIC THAT MARKET FOR PRIMARY MILITARY TRAINERS AND SIMILAR COMMERCIAL AIRCRAFT NOT BIG ENOUGH IN PAKISTAN, EVEN INCLUDING POTENTIAL SALES TO GULF STATES, TO WARRANT ESTABLISHMENT OF CESSNA ASSEMBLY PLANT IN THIS COUNTRY. THEY POINTED TO FACT THAT TOTAL PRIVATE PLANE REGISTRATION IN PAKISTAN NOW ONLY TOTALS ABOUT 38 AIRCRAFT. WITH 20 PRIMARY MILITARY TRAINERS INCLUDED, TOTAL ANNUAL DEMAND WOULD NOT BE OVER 50-60 AIRCRAFT AND ASSEMBLY PLANT COULD ONLY BE ESTABLISHED WITH MINIMUM YEARLY PRODUCTION OF ABOUT 300 PLANES. (CESSNA'S PRESENT ASSEMBLY PLANT AT REIMS, FRANCE PRODUCES 800 PLANES PER YEAR AND WITH ONLY MODERATE PROFITS AND COMPANY HESITATING OVER PUTTING PLANT INTO AUSTRALIA WHERE MARKET MANY TIMES LIMITED OFFICIAL USE

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LARGER THAN WHOLE SUBCONTINENT). FRYE NOW CONSIDERING ADVISABILITY APPOINTING REP FOR MILITARY SALES (PERHAPS ZAMINOS.) HE WILL FLY TO ISLAMABAD OCT. 10 TO CONFER WITH DATT AND ODRP AT EMBASSY AND MEET WITH PAK PROCUREMENT BOARD. TIGER

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